



DRAFT BUDGET AND MTREF 2015/2018

PREPARED BY: BUDGET AND TREASURY OFFICE

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Glossary

Adjustments Budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations – Money received from Provincial or National Government or other municipalities.

Assessment Rates – Local Government taxation based on an assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

Budget – The financial plan of the Municipality.

Budget Related Policy – Policy of a municipality affecting or affected by the budget, such as the tariffs policy, rates policy and credit control and debt collection policy.

Capital Expenditure – Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Position.

Cash flow statement – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it scores as expenditure in the month it is received, even though it may not be paid in the same period.

DORA – Division of Revenue Act. Annual piece of legislation that shows the amount of allocations from national to local government.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GRAP – Generally Recognised Accounting Practice. The new standard for municipal accounting and basis upon which the Annual Financial Statements are prepared.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality

KPI's – Key Performance Indicators. Measures of service output and/or outcome.

MFMA – The Municipal Finance Management Act – no 53 of 2003. The principle piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.

Operating Expenditure – Spending on the day to day expenses of the Municipality such as salaries and wages.

SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Strategic Objectives – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

Unauthorised expenditure – Generally, spending without, or in excess of, an approved budget.

Virement – A transfer of budget.

Virement Policy - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

Vote – One of the main segments into which a budget is divided. In Hibiscus Coast Municipality this means at directorate level.

3. Executive Summary

The application of sound financial management principles for the compilation of the Hibiscus Coast Municipality's Final Budget is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainability, economically and equitably to all communities.

The Hibiscus Coast Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 74 and 75 were used to guide the compilation of the 2015/16 MTREF which indicates the following amongs other things:

3.1 MFMA Circulars

National Treasury sent out MFMA Circular No. 66 on 11 December 2012 providing guidance to municipalities on their 2013/14 budgets and Medium Term Revenue and Expenditure Framework (MTREF). Circular 66 was followed up by Circular no.67 dated 12 March 2013. Circular No. 66 & 67 reminds us of the key focus areas for the 2013/2014 budget process, and that it must be read together with MFMA Circulars no. 48, 51, 54, 55, 58 and 59. It is essential reading material in order to understand the background to this budget.

National Treasury has also set out the requirements for funding the budget and producing a credible budget.

3.1.1 Funding the Budget

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17(2).

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows.

Under old budget formats a 'balanced' income generated approach was a key objective and this assisted in ensuring that outflows were matched by inflows ,provided revenue collections were realistic. However, GRAP compliant budgets necessitate that budget 'balancing' be much more comprehensive.

New budgeting and accounting formats demand that the budgeted Statement of Financial Performance, the Budgeted Statement of Financial Position and the Budgeted Statement of

Cash Flows must be considered simultaneously to ensure effective financial management and sustainability.

3.1.2 A Credible Budget

Amongst other things, a credible budget is a budget that:

- Funds only activities consistent with the revised IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality;
- Is achievable in terms of agreed service delivery and performance targets;
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions;
- Does not jeopardize the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

A budget sets out certain service delivery levels and associated financial implications. Therefore the community should realistically expect to receive these promised service delivery levels and understand the associated financial implications. Major under spending due to under collection of revenue or poor planning is a clear example of a budget that is not credible and unrealistic.

Furthermore, budgets tabled for consultation at least 90 days prior to the start of the budget year should already be credible and fairly close to the final approved budget.

The main challenges experienced during the compilation of the Draft Budget 2015/16 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost and electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;

The following budget principles and guidelines directly informed the compilation of the 2015/16 Draft Budget:

- The 2014/15 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2015/16 annual budget;
- The Mid-Year Budget assessment 2014/2015 was also used as a guide for the compilation of the 2015/16 Draft Budget.
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- The 2015 Division of Revenue Bill issued on 27 February 2015 and a revised that details the allocations that the municipality need to be reflected in the budget

- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazette as required by the annual Division of Revenue Act;
- The relevant policy developments in the different sectors proposals from the National Energy Regulator of South Africa (NERSA)).
- The multi-year Salary and Wage Collective Agreement for the period 1 July 2012 to 30 June 2015. The agreement provides for a wage increase based on the average CPI for the period 1 February 2012 until 31 January 2013, plus 1.25 per cent for the 2014/15 financial year.
- The upper limit was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to priorities expenditures:
 - Special Projects;
 - Consultant Fees;
 - Furniture and office equipment;
 - Special Events;
 - Refreshments and entertainment;
 - Ad-hoc travelling; and
 - Subsistence, Travelling & Conference fees

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework:

4. Table 1 Consolidated Overview

Description	Adjustment Budget 2014/15	Budget Year 2015/16	Budget Year 2016/17	Budget Year 2017/18
Total Operating Revenue	742 095 000	754 860 511	800 689 000	848 893 000
Total Operating Expenditure	742 095 000	754 860 511	800 689 000	848 893 000
<i>Surplus (deficit) for the year</i>	-	-	-	-
Capital Expenditure	109 471 000	163 036 000	160 489 000	112 708 000

Total operating revenue has grown by 1.72 per cent (R12.7 million) for the 2015/16 financial year when compared to the 2014/15 Adjustments Budget of R742 million. For the two outer years, operational revenue will increase by 5.7 per cent.

Total operating expenditure for the 2015/16 financial year has been appropriated at R755 million and when compared to the 2014/15 Adjustments Budget, operational expenditure has grown by 1.72 per cent in the 2014/15 budget and by 5.6 for the respective outer years of the MTREF.

The capital budget of R109 million has grown by 32.8 per cent or R53 million for 2015/16 when compared to the 2014/15 Adjustment Budget. A substantial portion of the capital

budget will be funded from government grants over the MTREF and the balance will be funded from internally generated funds.

5. Operating Revenue Framework

For Hibiscus Coast Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 100 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and

The following table is a summary of the 2015/18 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

KZN216 Hibiscus Coast - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)									
Description R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source									
Property rates	220,524	241,359	263,953	340,524	343,147	343,147	366,908	388,922	412,258
Property rates - penalties & collection charges	117	108	379	7,443	7,443	7,443	—	—	—
Service charges - electricity revenue	66,129	81,126	88,494	99,439	100,007	100,007	114,270	121,126	128,394
Service charges - refuse revenue	31,071	33,311	33,497	58,886	58,886	58,886	57,082	60,507	64,137
Rental of facilities and equipment	2,325	2,308	1,778	3,305	3,668	3,668	3,995	4,274	4,574
Interest earned - external investments	9,632	8,266	6,718	10,171	5,525	5,525	5,525	5,856	6,207
Interest earned - outstanding debtors	7,068	6,610	8,986	10,057	9,488	9,488	10,761	11,406	12,091
Fines	1,419	1,265	3,662	8,474	8,474	8,474	6,396	6,844	7,323
Licences and permits	5,841	5,444	5,965	6,624	6,624	6,624	11,684	12,502	13,377
Agency services	3,214	3,734	3,920	4,558	4,558	4,558	32	34	36
Transfers recognised - operational	150,091	166,903	126,460	123,054	125,416	125,416	129,064	136,808	145,016
Other revenue	9,432	40,129	18,541	32,493	68,859	68,859	49,144	52,340	55,480
Gains on disposal of PPE	8,728	—	—	—	—	—	—	—	—
Total Revenue	515,591	590,562	562,354	705,028	742,095	742,095	754,860	800,619	848,893

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates, services charges and transfers from grants forms a significant percentage of the revenue basket for the municipality. Rates, service charge revenues and grants operational comprise more than two thirds of the total revenue mix.

In the 2015/16 financial year, revenue from rates, services charges and grants operational totaled R667 million or 88 per cent. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity.

Property rates are the first largest revenue source totaling 46 per cent or R343 million and increases to R388 million by 2015/16. The second and third largest sources is revenue from grants operational and electricity totaling 17 per cent or R129 million and 15 per cent or R114 million respectively.

Other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R125 million in the 2014/15 financial year and steadily increases to R129 million by 2015/16. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

The above table can be graphically presented as follows:

Figure 1 Main sources of revenue

Table 4 Operating Transfers and Grant Receipts

Operating Transfer and Grant Receipts					
Description	Budget Year 2015/16				
	Original Budget	Adjusted Budget	Budget Year	Budget Year	Budget Year
R thousands	2014/15	2014/15	2015/16	2016/17	2017/18
RECEIPTS:					
Operating Transfers and Grants					
National Government:	105,940	105,940	128,495	74,070	52,970
Local Equitable Share	103,406	103,406	125,965	71,536	51,703
Finance Management Grant	1,600	1,600	1,600	1,600	800
Municipal Systems Improvements Grant	934	934	930	934	467
Provincial Government:	24,533	26,777	22,144	24,286	13,388
Expanded Public Works Programme	1,084	1,084	1,000	1,060	542
COGTA Demarcation			1,957	2,074	
KZN Transport	15,000	10,000	10,000	10,000	5,000
KZN COGTA	500	7,744	1,000	5,000	3,872
KZN Arts and Culture(Libraries n Museums)	7,949	7,949	8,187	6,152	3,975
TOTAL RECEIPTS OF TRANSFERS & GRANTS	130,473	132,717	150,639	98,356	66,358

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the municipality.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc.

The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

5.1. Property Rates

National Treasury's MFMA Circular No. 58 and 59 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R85 000 and R50 000 reduction on the market value of a property for residential and vacant land categories respectively, will be granted in terms of the municipality's own Property Rates Policy;
- 100 per cent rebate will be granted to registered indigents and child headed household in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons whose household income equal 2 state pensions, 4 state pensions and 6 state pensions will receive a rebate of 75%, 50% and 25 % respectively in terms of Rates policy.
- Indigents, in terms of the indigent policy are exempt from paying rates if the value of the property is less than R320 000.00.

The categories of rate-able properties for purposes of levying rates the proposed rates increase for the 2015/16 financial year is 7 per cent.

Table 5 Proposed rates increase for the 2015/16 financial year

No	Description	Current Tariffs	Proposed Tariffs	Increase
		(Cents)	(Cents)	%
1	Residential	0.008670	0.009277	7
2	Commercial	0.017339	0.018553	7
3	Industrial	0.017339	0.018553	7
4	Mining	0.017339	0.018553	7
5	Agricultural - Bona Fide	0.000867	0.000927	7
6	Agricultural - Mixed Use	0.002168	0.002320	7
7	Institutional	0.004334	0.004637	7
8	Special Purposes	0.004334	0.004637	7
9	PSI	0.002168	0.002320	7
10	Municipal - not rated - no billing			7
11	Vacant Land	0.017339	0.018553	7
12	ST-Garages/Storerooms	0.008670	0.009277	7
13	Communal Land	0.000867	0.000927	7
14	Guest Houses/Lodges	0.013055	0.013969	7

5.2. Sale of Electricity and Impact of Tariff Increases

Considering the Eskom increases, the consumer tariff had to be increased by 7.39 per cent to offset the additional bulk purchase cost from 1 July 2015. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Table 6 Proposed electricity tariffs increase

ELECTRICITY				
	2013/2014	2014/2015	2015/2016	
Description	Current Tariffs	Proposed Tariffs(VAT Excl)	Proposed Tariffs(VAT Excl)	Change
	Cents	Cents		%
KWH Per Unit 0-50	0.7000	0.7400	0.7900	6.30
KWH Per Unit 51-350	0.8700	0.9300	1.0000	7.30
KWH Per Unit 351-600	1.0693	1.1500	1.3400	
KWH Per Unit 600 and more	1.1880	1.2800	1.6000	
Basic Charge	142.00	152.50	171.11	12.20
Business 25-50 amps - KWH		0.9568	1.0735	12.20
Basic Charge per amp		8.92	10.01	12.20
Business/Domestic 51-150 amps - KWH		0.9568	1.0735	12.20
Basic Charge per amp		12.62	14.16	12.20
Business/Industrial over 150 amps - KWH		0.8165	0.9161	12.20
Basic Charge per amp		19.24	21.59	12.20
Service charge exceeding 100kva	272.17	292.28	327.94	12.20
Maximum demand charge	46.20	49.61	55.66	12.20
Charge per kW(High):Peak	1.3731	1.4746	1.6545	12.20
Standard	0.5761	0.6187	0.6942	12.20
Off peak	0.3297	0.3541	0.3973	12.20
Charge per kW(Low):Peak	0.9238	0.9921	1.1131	12.20
Standard	0.5167	0.5549	0.6226	12.20
Off peak	0.2966	0.3185	0.3574	12.20
Excess reactive energy	0.1095	0.1176	0.1319	12.20
NB - AMOUNTS EXCLUDE VAT				

5.3. Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models.

A 7 per cent increase in the waste removal tariff is proposed from 1 July 2015.

Table 7 Proposed electricity tariffs increase

Deacription	Current Tariffs	Proposed Tariffs	Difference	Change
	R	R	R	%
Refuse removal category 7 Exemptions	945.61	1 011.80	66.19	7.00
Category 1 properties to a maximum of 5 bins/liner per removal	945.61	1 011.80	66.19	7.00
Uplifment of commercial,industrial and mining sector per year:	-	-	-	
Uplifment once a week	1 856.14	1 986.07	129.93	7.00
Uplifment twice a week	3 711.40	3 971.20	259.80	7.00
Uplifment three times a week	5 567.54	5 957.27	389.73	7.00
Uplifment seven times a week	12 990.35	13 899.67	909.32	7.00
Placing of industrial skip containers	393.86	448.61	54.75	7.00
Removal of industrial skip containers	393.86	448.61	54.75	7.00
Rental of skip per month	33.07	35.39	2.32	7.00

5.4. Other Tariff of Charges

Other tariff of charges such licenses and permits, town planning, fines and other revenue have been increased by 6 per cent.

It must be noted that the Town planning related tariffs were not increased in the 2014/15 financial year in order to promote economic development in the Hibiscus coast area.

6. Operating Expenditure Framework

The Municipality's expenditure framework for the 2015/16 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and

Table 8 Summary of operating expenditure by standard classification item

R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Expenditure By Type									
Employee related costs	218,859	233,883	249,130	293,405	288,819	288,819	316,931	339,117	361,855
Remuneration of councillors	14,613	15,701	16,417	17,582	17,582	17,582	17,708	18,771	19,897
Debt impairment	4,953	7,159	669	2,100	–	–	–	–	–
Depreciation & asset impairment	43,487	48,578	57,944	51,347	53,347	53,347	55,526	59,729	59,730
Finance charges	3,714	9,133	6,517	13,616	13,616	13,616	6,998	7,418	7,863
Bulk purchases	45,912	57,007	63,982	69,589	69,589	69,589	77,422	88,447	101,041
Other materials	25,565	26,306	37,265	53,358	57,095	57,095	56,224	50,586	46,726
Contracted services	18,369	23,196	24,982	31,433	31,433	31,433	34,692	37,121	39,719
Transfers and grants	6,967	5,785	8,529	91,150	91,150	91,150	66,100	72,185	77,093
Other expenditure	226,724	143,783	140,691	81,629	119,464	119,464	123,259	127,247	134,969
Loss on disposal of PPE		1,658	422	(181)					
Total Expenditure	609,163	572,189	606,549	705,028	742,095	742,095	754,860	800,621	848,893

Table 9 Employee related costs details

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand									
Employee related costs									
Basic Salaries and Wages	141,069	148,180	148,180	184,206	193,795	193,795	196,381	210,128	224,837
Pension and UIF Contributions	25,684	28,543	28,543	35,323	32,889	32,889	38,657	41,363	44,258
Medical Aid Contributions	7,710	9,806	9,806	13,205	13,787	13,790	17,695	18,934	20,259
Overtime	13,456	14,354	14,354	10,692	11,011	11,011	11,571	12,381	13,248
Performance Bonus	11,043	11,789	11,789	14,535	14,079	14,079	15,970	17,088	17,284
Motor Vehicle Allowance	7,554	7,010	7,010	8,195	7,770	7,770	8,195	8,769	9,382
Cellphone Allowance	1,451	1,679	1,679	534	1,701	1,701	1,778	1,902	2,036
Housing Allowances	870	748	748	1,495	1,114	1,114	1,403	1,501	1,606
Other benefits and allowances	20,010	21,987	21,987	5,543	12,674	12,673	25,282	27,052	28,945
Post-retirement benefit obligations	5,034	5,034	5,034						
Total Employee related costs	233,883	249,130	249,130	273,730	288,820	288,822	316,931	339,117	361,855

The budgeted allocation for employee related costs for the 2015/16 financial year totals R316 million, which equals 41 per cent of the total operating expenditure. The salary increases have been factored into this budget at a percentage increase of 6.85 per cent for the 2014/15 financial year and also it must be noted that there are other line items within employee costs e.g. overtime, standby allowances, salaries temps, pension funds contributions which were not kept at 7 per cent increase as compared to basic salary increase.

The cost associated with the remuneration of councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R55.5 million for the 2015/16 financial and equates to 7.3 per cent of the total operating expenditure. Note

that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (Cost of capital). Finance charges make up 0.75 per cent (R5 million) of operating expenditure budget excluding annual redemption.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The increase is 12 per cent as per NERSA Guidelines.

Repairs and maintenance comprises of amongst others the purchase of fuel, diesel, materials for maintenance, potholes, cleaning materials and chemicals. This group of expenditure has been prioritized to ensure sustainability of the municipality's infrastructure especially potholes. For 2015/16 the appropriation against this group of expenditure equals 7.44 per cent (R56 million)

Of the R54 million repairs and maintenance budget, R29.4 million relates to potholes and roads preventative maintenance. It must also be noted that roads rehabilitation amounting to R15 million been considered in the capital budget.

Contracted services equals 4.6 per cent of the expenditure budget and has been budgeted at R34 million. For the two outer years growth has been limited to 5.6 per cent.

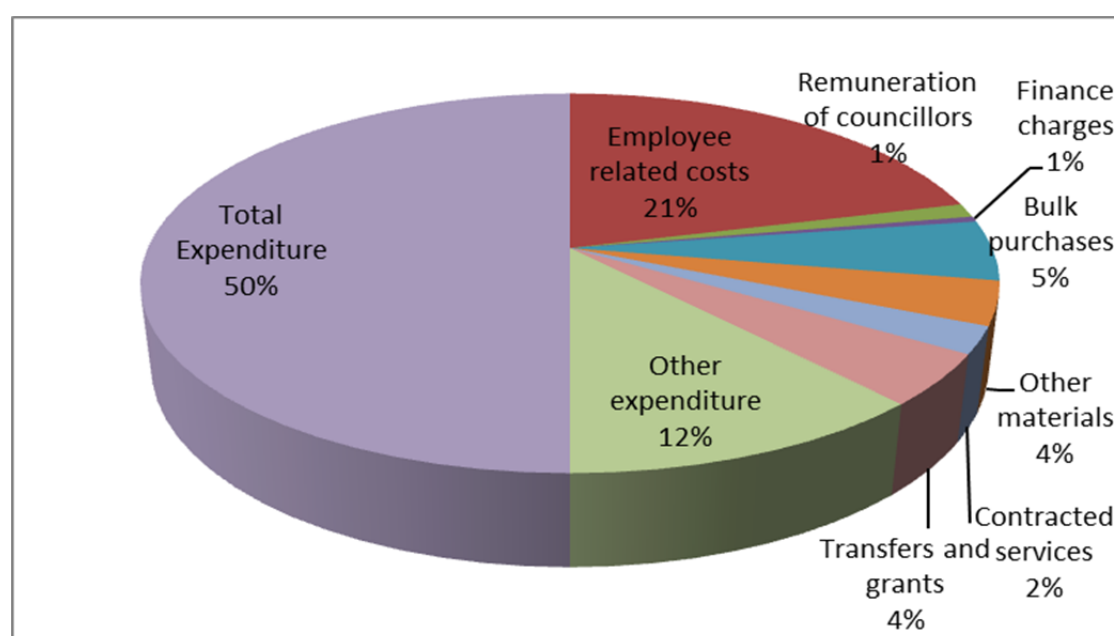
Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. The salient features of general expenses have been the following:

- Special functions – R1.2 million
- Ugu Tourism R1.6 million
- Insurance all assets R2.1 million
- Indigent support R1.1 million
- Subscriptions SALGA –R2.7 million
- Ward Committee Allowance –R1,9 million
- Back to School Campaign –R0.856 million
- Caucus Fees R0.3 million
- Youth Empowerment-R1.3 million
- Gender Empowerment- R0.5 million
- Children's rights R0.2 million
- Senior Citizen R0.3 million
- Disable R0.2 million
- HIV initiative R0.1 million
- Local economic development R.5 million
- Food for Waste R1.8 million
- EPWP-R1 million
- Meter audit R 0.8 million
- Grant to Hibiscus Coast Development Agency R1.6 million
- Rents and Leases R18 million
- Professional fees R6 million
- Electricity charges R 6 million
- Plant hire R3 million

- Free basic indigents R 3 million
- Rebates R32 million
- Training and workshops R2.0 million
- Councilors training R0.4 million
- Productivity training R2 million
- Security monitoring charges R8.5 million
- Water charges R2.5 million
- Refuse site disposal charges R5.2 million
- Refuse bags R1.8 million

The following table gives a breakdown of the main expenditure categories for the 2015/16 financial year.

Figure 2 Main operational expenditure categories for the 2015/16 financial year



6.1. Priority given to repairs and maintenance

During the compilation of the 2015/16 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the municipality's infrastructure and historic deferred maintenance especially roads . To this end, repairs and maintenance was substantially increased from R55 to R57 million by R2 million .

And also an amount of R15 million for roads rehabilitation has been provided under capital budget. .

6.2 Free Basic Services: Basic Social Service Package

The social package assists households that are poor or face circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy and the policy is reviewed annually. The cost of the social package of the registered indigent households is largely financed by

national government through the local government equitable share received in terms of the annual Division of Revenue Act.

7. Capital Expenditure Framework

Table 11 Capital expenditure by funding source

Capital Expenditure by Funding Source				
Vote Description	2014/15	Budget Year 2015/16		
	Budget Year	Original Budget	Adjusted Budget	Budget Year
R thousands				
Funded by:				
National Government	45,724	50,814	50,814	54,940
Provincial Government	2,600	6,600	6,600	54,279
Internally generated funds	52,707	43,618	52,057	53,818
Total Capital Funding	101,031	101,032	109,471	163,036

The main source of funding of the 2015/16 Capital budget of R163 million is internally generated funds at R53.8 Million, followed by National government at R54.9 million and Provincial government at R54.2 million .

The above information can be graphically presented as follows

Figure 3 Funding sources of capital expenditure

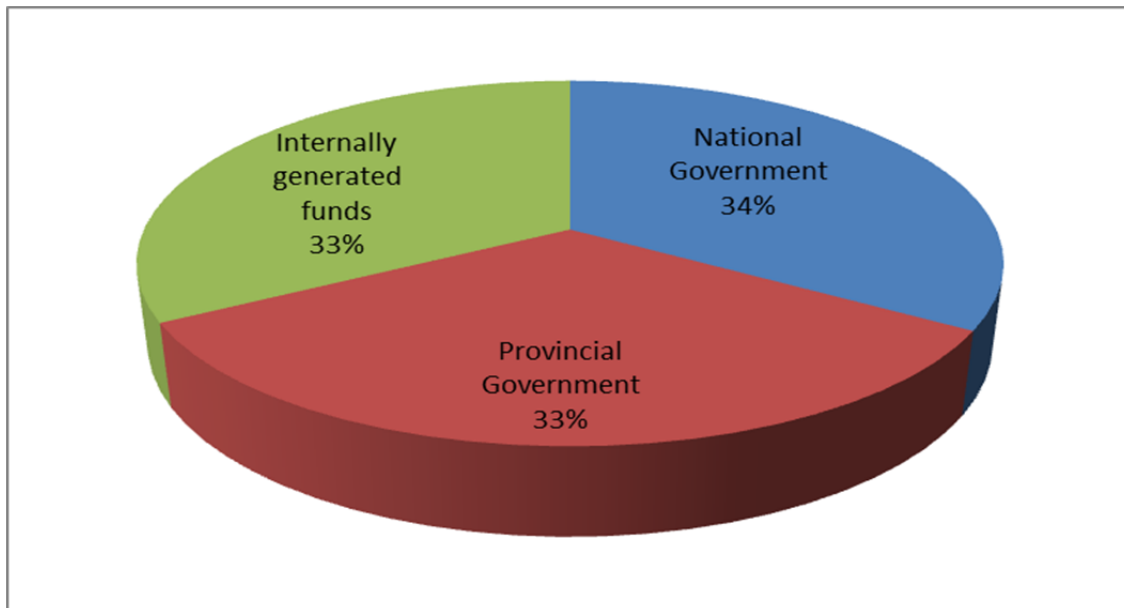


Table 12 Breakdown of the funding sources

Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Housing – R52.3 million;
- Refuse compactors – R3 million
- Electricity related projects R4.5 million
- Community halls R9.8 million
- Streetlights and traffic lights R3.2 million
- South broom and Margate tidal pools R0.9 million
- Roads and bridges R19.8 million
- Taxi ranks R0.5 million
- Sports fields R10.5 million
- Storm water R11.3 million
- Road rehabilitation R15.2 million
- Mini sub-station replacement R0.2 million
- Hibberdene ablution facilities R0.5 million.
- Fire station roof replacement R0.4 million
- Batteries for sub – stations R0.2 million
- Staff depot ablution facilities R0.5 million
- Landfill site R0.5 million
- Port Shepstone town rejuvenation R 0.2 million
- Other capital projects R 2.7 million.
- Departmental capital R12 million
- Magede Mzobe Sportsfield R0.4 millio

PART 2 ANNUAL BUDGET TABLES
8. Annual Budget Tables

The following are the main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. **Table 13 MBRR Table A1 - Budget Summary**

KZN216 Hibiscus Coast - Table A1 Consolidated Budget Summary									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousands									
Financial Performance									
Property rates	220,641	241,467	278,658	347,967	350,590	350,590	366,908	388,922	412,258
Service charges	99,524	116,745	127,014	158,325	158,893	158,893	171,352	181,633	192,531
Investment revenue	7,068	6,610	5,504	10,171	5,525	5,525	5,525	5,856	6,207
Transfers recognised - operational	70,295	122,859	169,191	123,054	125,416	125,416	129,064	136,808	145,016
Other own revenue	38,266	58,837	75,894	65,511	101,671	101,671	82,244	87,400	92,881
Total Revenue (excluding capital transfers and contributions)	435,795	546,518	656,261	705,028	742,095	742,095	755,093	800,620	848,893
Employee costs	218,859	233,883	279,814	293,405	288,819	288,819	316,931	339,117	361,855
Remuneration of councillors	14,613	15,701	17,837	17,582	17,582	17,582	17,708	18,771	19,897
Depreciation & asset impairment	43,487	48,578	55,392	51,347	53,347	53,347	55,526	59,729	59,730
Finance charges	3,714	9,133	5,910	13,616	13,616	13,616	6,998	7,418	7,863
Materials and bulk purchases	71,477	83,313	104,271	122,947	126,684	126,684	133,645	139,033	147,767
Transfers and grants	6,967	5,785	144,652	91,150	91,150	91,150	66,100	72,185	77,093
Other expenditure	250,046	175,797	48,385	114,981	150,896	150,896	157,951	164,367	174,688
Total Expenditure	609,163	572,189	656,261	705,028	742,094	742,094	754,859	800,620	848,893
Surplus/(Deficit)	(173,368)	(25,671)	(74,988)	0	(0)	(0)	0	0	0
Transfers recognised - capital	79,796	44,044	30,787	-	-	-	-	-	-
Contributions recognised - capital & contrib	-	-	6	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(93,572)	18,373	(44,195)	0	(0)	(0)	0	0	0
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(93,572)	18,373	(44,195)	0	(0)	(0)	0	0	0
Capital expenditure & funds sources									
Capital expenditure	54,578	74,931	53,656	101,032	109,471	109,471	163,036	160,489	154,174
Transfers recognised - capital	23,872	29,322	31,766	57,414	57,414	57,414	109,218	150,041	98,531
Borrowing	20,416	-	4,521	-	-	-	-	-	-
Internally generated funds	10,289	45,609	17,370	43,618	52,057	52,057	53,818	10,448	55,643
Total sources of capital funds	54,578	74,931	53,656	101,032	109,471	109,471	163,036	160,489	154,174
Financial position									
Total current assets	309,527	247,233	338,611	269,465	269,465	269,465	288,301	308,454	330,017
Total non current assets	812,768	812,700	1,249,278	821,290	821,290	821,290	878,780	940,295	1,006,116
Total current liabilities	184,411	176,058	181,355	141,058	141,058	141,058	150,932	161,497	172,802
Total non current liabilities	106,018	105,858	113,893	79,122	79,122	79,122	84,661	90,587	96,928
Community wealth/Equity	831,866	778,016	1,292,641	870,575	870,575	870,575	931,489	996,665	1,066,402
Cash flows									
Net cash from (used) operating	21,328	34,584	32,100	108,867	51,108	51,108	10,757	161,759	171,030
Net cash from (used) investing	(58,913)	3,733	(52,729)	(129,845)	(87,600)	(87,600)	(128,153)	(136,679)	(144,880)
Net cash from (used) financing	48,802	(3,822)	(6,452)	(6,032)	(4,472)	(4,472)	(5,071)	(5,986)	(4,769)
Cash/cash equivalents at the year end	11,217	34,494	(27,082)	(27,010)	(40,964)	(40,964)	(122,467)	19,094	21,381
Asset management									
Asset register summary (WDV)	261,536	261,536	275,218	376,794	275,763	275,763	295,066	315,721	337,822
Depreciation & asset impairment	42,548	43,487	55,392	51,347	53,347	53,347	55,526	59,729	59,730
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	-	-	-

- Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

Table 13 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

KZN216 Hibiscus Coast - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source									
Property rates	220,524	241,359	263,953	340,524	343,147	343,147	366,908	388,922	412,258
Property rates - penalties & collection charges	117	108	379	7,443	7,443	7,443	—	—	—
Service charges - electricity revenue	66,129	81,126	88,494	99,439	100,007	100,007	114,270	121,126	128,394
Service charges - refuse revenue	31,071	33,311	33,497	58,886	58,886	58,886	57,082	60,507	64,137
Rental of facilities and equipment	2,325	2,308	1,778	3,305	3,668	3,668	3,995	4,274	4,574
Interest earned - external investments	9,632	8,266	6,718	10,171	5,525	5,525	5,525	5,856	6,207
Interest earned - outstanding debtors	7,068	6,610	8,986	10,057	9,488	9,488	10,761	11,406	12,091
Fines	1,419	1,265	3,662	8,474	8,474	8,474	6,396	6,844	7,323
Licences and permits	5,841	5,444	5,965	6,624	6,624	6,624	11,684	12,502	13,377
Agency services	3,214	3,734	3,920	4,558	4,558	4,558	32	34	36
Transfers recognised - operational	150,091	166,903	126,460	123,054	125,416	125,416	129,064	136,808	145,016
Other revenue	9,432	40,129	18,541	32,493	68,859	68,859	49,144	52,340	55,480
Gains on disposal of PPE	8,728	—	—	—	—	—	—	—	—
Total Revenue	515,591	590,562	562,354	705,028	742,095	742,095	754,860	800,619	848,893
Expenditure By Type									
Employee related costs	218,859	233,883	249,130	293,405	288,819	288,819	316,931	339,117	361,855
Remuneration of councillors	14,613	15,701	16,417	17,582	17,582	17,582	17,708	18,771	19,897
Debt impairment	4,953	7,159	669	2,100	—	—	—	—	—
Depreciation & asset impairment	43,487	48,578	57,944	51,347	53,347	53,347	55,526	59,729	59,730
Finance charges	3,714	9,133	6,517	13,616	13,616	13,616	6,998	7,418	7,863
Bulk purchases	45,912	57,007	63,982	69,589	69,589	69,589	77,422	88,447	101,041
Other materials	25,565	26,306	37,265	53,358	57,095	57,095	56,224	50,586	46,726
Contracted services	18,369	23,196	24,982	31,433	31,433	31,433	34,692	37,121	39,719
Transfers and grants	6,967	5,785	8,529	91,150	91,150	91,150	66,100	72,185	77,093
Other expenditure	226,724	143,783	140,691	81,629	119,464	119,464	123,259	127,247	134,969
Loss on disposal of PPE	—	1,658	422	(181)	—	—	—	—	—
Total Expenditure	609,163	572,189	606,549	705,028	742,095	742,095	754,860	800,621	848,893
Surplus/(Deficit) for the year	(93,572)	18,373	(44,195)	—	—	—	(0)	(1)	0

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
- Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity functions, but not the Waste management function. As already noted above, the municipality

will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

- Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

Table 14 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding							
Vote Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue &
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16
Capital Expenditure - Standard							
Governance and administration	26,477	39,623	50,935	72,799	78,949	78,949	71,642
Executive and council	26,211	39,370	50,657	70,164	76,313	76,313	70,444
Budget and treasury office	181	202	256	2,500	2,500	2,500	97
Corporate services	85	51	23	135	136	136	1,101
Community and public safety	2,785	35,160	1,324	8,847	8,847	8,847	59,457
Community and social services	789	269	401	5,000	5,000	5,000	973
Sport and recreation	15	95	110	686	686	686	3,500
Public safety	1,633	47	557	3,000	3,000	3,000	2,630
Housing	285	34,744	255	–	–	–	52,354
Health	63	5	–	161	161	161	–
Economic and environmental services	24,417	10	120	7,431	9,722	9,722	3,611
Planning and development	229	10	109	431	2,722	2,722	676
Road transport	24,188	–	11	7,000	7,000	7,000	2,935
Trading services	898	139	1,277	11,280	11,280	11,280	27,953
Electricity	883	109	297	6,780	6,780	6,780	17,433
Waste management	15	30	981	4,500	4,500	4,500	10,520
Other	–	–	–	674	673	673	374
Total Capital Expenditure - Standard	54,578	74,931	53,656	101,032	109,471	109,471	163,036
Funded by:							
National Government	23,872	25,000	31,766	50,814	50,814	50,814	54,940
Provincial Government	–	4,322	–	6,600	6,600	6,600	54,279
Transfers recognised - capital	23,872	29,322	31,766	57,414	57,414	57,414	109,218
Borrowing	20,416	–	4,521	–	–	–	–
Internally generated funds	10,289	45,609	17,370	43,618	52,057	52,057	53,818
Total Capital Funding	54,578	74,931	53,656	101,032	109,471	109,471	163,036

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

- Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
- The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.

- Single-year capital expenditure has been appropriated at R163,336million for the 2015/16 financial year and remains relatively constant over the MTREF at levels of R145 million and R154 million respectively for the two outer years.
- Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
- The capital programme is funded from capital and provincial grants and transfers and internally generated funds.

Table 15 MBRR Table A6 - Budgeted Financial Position

KZN216 Hibiscus Coast - Table A6 Consolidated Budgeted Financial Position									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
ASSETS									
Current assets									
Cash	142,712	177,206	8,500	8,500	8,500	8,500	9,095	9,732	10,413
Call investment deposits	65,000	—	150,715	151,798	151,798	151,798	162,424	173,794	185,959
Consumer debtors	92,839	95,545	37,624	99,698	99,698	99,698	106,677	114,144	122,134
Other debtors	5,013	4,711	7,684	5,289	5,289	5,289	5,659	6,055	6,479
Current portion of long-term receivables	1,673	1,189	1,272	1,765	1,765	1,765	1,862	1,964	2,073
Inventory	2,289	2,565	132,816	2,415	2,415	2,415	2,584	2,765	2,958
Total current assets	309,527	281,217	338,611	269,465	269,465	269,465	288,301	308,454	330,017
Non current assets									
Long-term receivables	12,040	11,340	8,762	12,702	12,702	12,702	13,645	14,600	15,622
Investment property	260,856	310,105	274,677	275,203	275,203	275,203	294,467	315,080	337,136
Property, plant and equipment	539,146	539,077	964,067	532,775	532,775	532,775	570,069	609,974	652,672
Intangible	680	468	541	560	560	560	599	641	686
Other non-current assets	47	47	1,231	49	49	49	—	—	—
Total non current assets	812,768	861,037	1,249,278	821,289	821,289	821,289	878,780	940,295	1,006,116
TOTAL ASSETS	1,122,295	1,142,253	1,587,889	1,090,754	1,090,754	1,090,754	1,167,081	1,248,749	1,336,133
LIABILITIES									
Current liabilities									
Borrowing	8,398	6,194	6,374	8,860	8,860	8,860	9,480	10,144	10,854
Consumer deposits	15,373	16,760	19,329	16,219	16,219	16,219	17,354	18,569	19,869
Trade and other payables	131,392	125,244	124,647	87,500	87,500	87,500	93,625	100,179	107,191
Provisions	29,248	31,307	31,005	28,479	28,479	28,479	30,473	32,606	34,888
Total current liabilities	184,411	179,504	181,355	141,058	141,058	141,058	150,932	161,498	172,802
Non current liabilities									
Borrowing	58,841	54,499	40,710	62,077	62,077	62,077	66,422	71,072	76,047
Provisions	47,177	51,359	73,183	17,045	17,045	17,045	18,238	19,515	20,881
Total non current liabilities	106,018	105,858	113,893	79,122	79,122	79,122	84,660	90,587	96,928
TOTAL LIABILITIES	290,429	285,362	295,248	220,180	220,180	220,180	235,592	252,085	269,730
NET ASSETS	831,866	856,892	1,292,641	870,574	870,574	870,574	931,489	996,664	1,066,403
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)	423,692	454,243	394,498	473,427	473,427	473,427	506,567	542,027	579,968
Reserves	408,174	402,648	898,142	397,148	397,148	397,148	424,948	454,695	486,523
TOTAL COMMUNITY WEALTH/EQUITY	831,866	856,892	1,292,640	870,575	870,575	870,575	931,515	996,722	1,066,491

Explanatory notes to Table A6 - Budgeted Financial Position

- Table A6 is consistent with international standards of good financial management practice, and improves understand ability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
- Call investments deposits;
- Consumer debtors;
- Property, plant and equipment;
- Trade and other payables;
- Provisions non -current;
- Changes in net assets; and
- Reserves

Table 16 MBRR Table A7 - Budgeted Cash Flow Statement

KZN216 Hibiscus Coast - Table A7 Consolidated Budgeted Cash Flows									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	354,809	376,814	619,672	449,267	451,401	451,401	560,431	594,057	629,700
Government - operating	72,618	120,059	95,667	170,149	114,915	114,915	129,064	136,808	145,016
Government - capital	77,473	36,076	30,787	40,173	40,173	40,173	109,219	115,772	122,718
Interest	16,701	14,876	15,704	14,682	14,682	14,682	16,285	17,262	18,298
Payments									
Suppliers and employees	(489,591)	(498,322)	(545,214)	(554,370)	(559,331)	(559,331)	(626,236)	(663,810)	(703,639)
Finance charges	(3,714)	(9,133)	(5,910)	(6,998)	(6,696)	(6,696)	(6,998)	(7,418)	(7,863)
Transfers and Grants	(6,967)	(5,785)	(8,529)	(4,036)	(4,036)	(4,036)	(78,900)	(83,634)	(88,652)
NET CASH FROM/(USED) OPERATING ACTIVITIES	21,328	34,584	202,178	108,867	51,108	51,108	102,865	161,759	171,030
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE		2,073	–				–	–	–
Decrease (Increase) in non-current debtors	686	1,184	976	1,500	1,500	1,500	950	1,007	1,067
Decrease (increase) other non-current receivables				1,200	1,200	1,200	1,250	1,325	1,405
Decrease (increase) in non-current investments	(5,000)	65,000		–	–	–	–	–	–
Payments									
Capital assets	(54,600)	(64,525)	(53,705)	(101,032)	(109,471)	(109,471)	(163,036)	(160,489)	(112,708)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(58,913)	3,733	(52,729)	(98,332)	(106,771)	(106,771)	(160,836)	(136,679)	(144,880)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Borrowing long term/refinancing	55,000	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits	1,109	2,724	1,277	846	846	846	17,354	18,569	19,869
Payments									
Repayment of borrowing	(7,307)	(6,546)	(7,729)	(6,878)	(5,318)	(5,318)	(6,171)	(6,541)	(6,933)
NET CASH FROM/(USED) FINANCING ACTIVITIES	48,802	(3,822)	(6,452)	(6,032)	(4,472)	(4,472)	11,183	(5,986)	(4,769)
NET INCREASE/ (DECREASE) IN CASH HELD	11,217	34,494	142,997	4,503	(60,135)	(60,135)	(46,788)	19,094	21,381
Cash/cash equivalents at the year begin:	131,494	142,711	177,296	143,627	201,262	201,262	141,127	149,595	158,570
Cash/cash equivalents at the year end:	142,711	177,205	320,293	148,130	141,127	141,127	94,339	168,689	179,951

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

- The budgeted cash flow statement is the first measurement in determining if the budget is funded.
- It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

9.Quality Certificate

I, Sihle Maxwell Mbili , the Municipal Manager of the Hibiscus Coast Municipality, hereby certify that the Draft Budget 2015/16 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and Regulations made under the Act, and that the Draft Budget and supporting documentation are consistent with the Integrated Development Plan of the municipality.

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Sihle Maxwell Mbili (Municipal manager)
Hibiscus Coast Municipality

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Date